

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
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FM AMCONSUL IZMIR
TO SECSTATE WASHDC 1742
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LIMITED OFFICIAL USE IZMIR 420
E.O. 11652: N/A FAS FOR TOBACCO DIVISION
TAGS: EAGR, EFIN, TU
SUBJECT: DROP IN TURKISH AGRICULTURAL EXPORTS
REF: ANKRA 9529
1. FOLLOWING ELABORATION MAY BE USE IN ASSESSING IMPLI-
CATIONS OF CENEVIT'S ASSERTION THAT GOT EXPORTS OF AGRICULTURAL
PRODUCTS, ESPECIALLY COTTON AND TOBACCO, ARE DOWN (THUS FAR)
THIS MARKETING YEAR (SEPT. 1, 1976 - AUG. 31, 1977) OVER LAST

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YEAR.

2. AGRICULTURAL PRODUCTS ORDINARILY CONSTITUTE BETWEEN 65 AND
70 PERCENT OF TURKISH EXPORTS, WHEREAS TOBACCO CONSTITUTES
AROUND THIRTEEN PERCENT OF EXPORTS AND COTTON FIFTEEN PERCENT.
BOTH TOBACCO AND COTTON EXPORTS INDEED DOWN SHARPLY DURING
FIRST MONTHS OF 1976-77 MARKETING YEAR, AND WE EXPECT BOTH,
EXPECIALLY COTTON, TO REMAIN SUBSTANTIALLY DEPRESSED THROUGH-
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OUT BALANCE OF MARKETING YEAR. (DURING CALENDAR RPT CALENDAR
1976, HOWEVER, EXPORTS OF BOTH CROPS RUNNING SUBSTANTIALLY
HIGHER THAN CALENDAR 1975--SEE IZMIR 087. BASED ON JAN. -
OCT. DATA, WE NOW PROJECT CALENDAR 76 TOBACCO EXPORTS AT
75,000 TONS -- \$250 MILLION -- AND COTTON EXPORTS AT 365,000
TONS -- \$410 MILLION. IN FACT, HIGH LEVEL OF EARLY CALENDAR

76 COTTON AND TOBACCO EXPORTS -- WHICH OCCURRED DURING 75-76 MARKETING YEAR -- ARE IN PART RESPONSIBLE FOR CURRENT WEAK MARKETING YEAR PERFORMANCE.)

3. TOBACCO. PERIOD COVERED BY FOREIGN EXCHANGE RESERVES DATA CITED BY CENEVI PRECEDED TARDY ENTRY INTO MARKET OF SEVERAL BUYERS (IZMIR 388), AND REFLECTED VIRTUALLY ZERO SALES. SINCE THEN

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APPROXIMATELY 16,000 METRIC TONS HAVE BEEN CONTRACTED (PAYMENT DUE ON SHIPMENT) FOR ESTIMATED US \$56 MILLION (AT AVERAGE \$3.50 PER KILO), MOST IF NOT ALL CREDITABLE TO BOTH 76 CALENDAR YEAR AND 76/77 MARKETING YEAR. HOWEVER, EARLIER 1976 LARGE SALES PRECEEDING BEGINNING 1976/77 MARKETING YEAR AND CURRENT HIGH PRICE LEVELS CAUSE US TO PROJECT TOTAL 76/77 TOBACCO MARKETING YEAR SALES AT ONLY 40,000 TONS (ESTIMATED \$140 MILLION) AS COMPARED WITH 75/76 MARKETING YEAR OF 80,000 TONS. IN SUM, BOTH IN TERMS OF 1977 RPT 1977 CALENDAR YEAR AND 1976/77 MARKETING YEAR, TOBACCO PROBABLY WILL PRODUCE ONLY ABOUT HALF OF THE FOREIGN EXCHANGE EARNINGS OF RESPECTIVE PREVIOUS YEAR. (AND TURKISH 1977 CARRY-OVER STOCK LEVELS WILL BE UP TO AROUND 50,000 TONS.) FOREGOING PLACES SUBSTANTIAL PRESSURE ON GOT TO DEVALUE LIRA AGAINST DOLLAR OR TO SUBSIDIZE UNCOMPETITIVE TURKISH TOBACCO.

4. COTTON. EXPORT EARNINGS FOR 1976/77 MARKETING YEAR (AND 1977 CALENDAR YEAR) FOR THIS COMMODITY, TRADITIONALLY TURKEY'S NUMBER ONE EXPORT CROP IN VALUE, ARE BLEAK. EXPORT COMMITMENTS BETWEEN SEPT. 1, 1976 AND DEC. 13, 1976 WERE ONLY LIMITED OFFICIAL USE

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85,782 METRIC TONS COMPARED TO 265,242 TONS FOR CORRESPONDING

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PERIOD IN PREVIOUS MARKETING YEAR. OUR SOURCES DO NOT EXPECT THIS MARKETING YEAR'S EXPORTS TO EXCEED 150,000 (\$250 MILLION) --COMPARED WITH 75/76 447,000 TONS (\$474 MILLION). REDUCED EXPORTABLE STOCKS AND EXISTING HIGH 20-25 PERCENT SUBSIDY RATE ON YARN EXPORTS INDICATE LITTLE ELASTICITY IN INCREASING THIS FIGURE. THUS, BOTH FOR CALENDAR YEAR 77 AND MARKETING YEAR 76/77 TURKISH INCOME FROM COTTON EXPORTS WILL BE DOWN SHARPLY. 5. OLIVE OIL. CENEVI DID NOT ADDRESS OLIVE OIL EXPLICITLY, BUT THIS COMMODITY PROMISES SOMEWHAT TO COMPENSATE FOR OTHER AGRICULTURAL SHORTFALLS. HAVING EXPORTED ONLY 1000 METRIC TONS (US \$2 MILLION) DURING 1975/76 MARKETING YEAR (NOV. 1 - OCT. 31), RECENTLY IMPLEMENTED TAX REBATE SYSTEM FOR OLIVE EXPORTS GIVES PROMISE TO PROJECTED 1976/77 EXPORTS OF 40,000 TONS (\$40

MILLION).

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